

# POST-WAR ECONOMIC POLICY AND PLANNING

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## PRELIMINARY REPORT

OF THE

## SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

PURSUANT TO

### S. Res. 102

A RESOLUTION CREATING A SPECIAL COMMITTEE  
ON POST-WAR ECONOMIC POLICY AND PLANNING

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CANCELATION OF WAR CONTRACTS  
DISPOSITION AND SALE OF SURPLUS PROPERTY

AND

INDUSTRIAL DEMOBILIZATION AND  
RECONVERSION



NOVEMBER 18, 1943.—Ordered to be printed

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**SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND  
PLANNING**

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## POST-WAR ECONOMIC POLICY AND PLANNING

NOVEMBER 18, 1943.—Ordered to be printed

Mr. GEORGE, from the Special Committee on Post-War Economic Policy and Planning, submitted the following

### PRELIMINARY REPORT

[Pursuant to S. Res. 102]

Pursuant to the resolution creating it, this committee recently held a series of hearings, in executive session, on three subjects: The cancelation of war contracts; industrial demobilization and reconversion; and the disposal of surplus plants and property.

At these hearings the committee heard the Honorable James F. Byrnes, Director of the Office of War Mobilization; the Honorable Donald Nelson, Chairman of the War Production Board; the Honorable Robert P. Patterson, Under Secretary of War; the Honorable Jesse Jones, Secretary of Commerce; Commander H. F. Linder, Office of Procurement and Material, Under Secretary's Office, Navy Department; Mr. A. F. Hinrichs, Acting Commissioner, Bureau of Labor Statistics, Department of Labor; Dr. Harold G. Moulton, the Brookings Institution; Mr. Samuel H. Thompson, Assistant Director, National Planning Association; Mr. R. S. Smethurst, counsel, National Association of Manufacturers; Admiral Emory S. Land, United States Maritime Commission; Mr. Paul E. Shorb, finance committee, United States Chamber of Commerce; Mr. A. C. Mattei, vice president, United States Chamber of Commerce; Mr. John C. Fennelly, executive director, Committee on Economic Development; and Mr. J. Raymond Walsh, director of research, Congress of Industrial Organizations.

In addition, the committee had before it for consideration a number of well-prepared memoranda from organizations skilled in economic research and from industry.

At these hearings, it appeared that the Government has already found it necessary to cancel approximately 10,000 contracts; that the settlement of these canceled contracts by various governmental agencies is being made without any well-defined over-all policy.

It also appeared that large surpluses of movable property have been accumulated by various branches of the services and that these surpluses are now being disposed of by the agencies having them without any coordinated policy and without any real consideration of the impact upon the national economy.

It also appeared that the changing fortunes of war had caused the services to revise their ideas as to the necessity of certain plants that had been built; that some progress had been made in converting these plants, unnecessary to the present prosecution of the war, to other war uses and that there had been some conversion to civilian uses, but this, too, is being done piecemeal, without coordination between the services and without any real consideration of its impact upon the national economy.

It was clear from the testimony that at the close of hostilities the sum total of these problems would be multiplied many times. This would be true whether the war should end simultaneously in the European and Asiatic theaters, or whether the war in one theater should continue after the cessation of hostilities in the other. Considerably more than a million prime and subcontracts would have to be canceled; the determination as to the disposition of hundreds of Government-owned war plants would have to be made, and surplus goods would have to be disposed of in a quantity so vast that it could well disrupt the American economy for years to come.

Consideration of these facts led to the following conclusions:

(1) That it is urgently necessary that immediate steps be taken to set up machinery for the coordination of all of these problems and activities and for the furnishing of over-all direction.

(2) That this should be done by a central agency whose functions would be the promulgation and supervision of over-all policies and the correlation of the activities of the various agencies handling the mechanics of the problems.

(3) That the Congress should lay down the broad policies under which the problems should be handled.

(4) That the various contracting and procurement agencies should be the operating agencies to accomplish termination of their respective contracts and to dispose of their respective surpluses according to policies established by Congress and by the policy-making central agency above referred to.

It is the opinion of this committee that these principles, to be enunciated by Congress, should make it perfectly plain that the speedy conversion from war to peace, at the proper time, is a matter of almost as imperative necessity as was the speedy conversion from peace to war so that the problem of unemployment may be kept to the absolute minimum; so that goods to fill the gaps in the civilian economy made necessary by war be promptly produced; so that the system of private enterprise again be permitted to function freely and speedily; and so that the controls necessary in a war economy be relaxed with all practical rapidity.

To accomplish this end, the committee believe it necessary—

(1) That in the determination of what contracts should be canceled, where there is a choice, consideration should be given to the employment situation, the convertibility of the contractor's plant to civilian production, the amount of surplus materials that would be created by



the cancelation, or lack of it, and other factors that affect the civilian economy.

(2) That the largest possible percentage of funds owing to a contractor as the result of contract cancelation should immediately be made available to him; that a speedy and fair final determination should be reached as to the total amount due, and that the power of final determination of the amount of such settlements, in the event of disagreement, should not remain in the hands of the contracting officers but should be placed in an independent tribunal.

(3) That the Government assume the same obligation of fair and speedy settlement to all war contractors whose contracts are canceled, whether they be prime contractors, subcontractors, or in the various layers of contractors below subcontractors, and the formula to be followed in the settlement of their claims should be made perfectly clear and understandable to all such contractors, whether these claims legally are against the Government or against another contractor, that such contractors may plan with the maximum certainty for post-war reconversion.

(4) That the prime object in the disposal of war plants and equipment should be the return of these properties to our competitive economy under terms and conditions creating minimum disturbance to production and employment, and that the disposal should be handled in such a manner as to encourage competitive efficiency on the part of private industry.

(5) That wherever possible plants and their machinery and equipment should be disposed of in a manner to discourage monopoly and encourage the promotion of small enterprise.

(6) That Government-owned machinery, tools, equipment, and inventories should immediately be removed from privately owned plants, to enable those plants to convert to peacetime industry with a minimum of delay.

(7) That the prime object in the disposal of surplus war supplies and materials should be their economic use; that so far as possible they should be distributed through the usual channels of distribution, in quantities that will permit their acquisition by small as well as large purchasers, and that they should be disposed of with due regard to the ability of the civilian market to absorb them without unduly disturbing the economy.

After hearing testimony of other witnesses, additional recommendations probably will be made, particularly with reference to the disposal and reconversion of war plants.

The committee proposes to continue hearings on these subjects for a brief time before making a final report to the Senate in regard to them.



